

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 JEFF HATCH-MILLER
3 Chairman

4 WILLIAM A. MUNDELL
5 Commissioner

6 MARC SPITZER
7 Commissioner

8 MIKE GLEASON
9 Commissioner

10 KRISTIN K. MAYES
11 Commissioner

Arizona Corporation Commission

DOCKETED

JUL 29 2005

DOCKETED BY

[Signature]

12 IN THE MATTER OF THE APPLICATION
13 OF ENERGY WEST, INC. – FILING FOR
14 APPROVAL OF A PURCHASED GAS
15 ADJUSTOR SURCHARGE

DOCKET NO. G-02696A-05-0390

DECISION NO. **68028**

ORDER

16 Open Meeting
17 July 28, 2005
18 Phoenix, Arizona

19 BY THE COMMISSION:

20 FINDINGS OF FACT

21 1. Energy West, Inc. (“Energy West” or “Company”) is engaged in providing propane
22 within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

23 2. On June 1, 2005, Energy West filed for Commission approval of a purchased gas
24 adjuster surcharge. The filing seeks a surcharge of \$0.1525 per therm from July 2005 to June
25 2006.

26 3. As the timing of the June 1, 2005 filing did not allow Staff sufficient time to
27 prepare for consideration of the matter at the Open Meeting of June 14, 2005, Staff requested and
28 the Commission approved a 90 day suspension of the time-clock in this matter at the Open
29 Meeting of June 14, 2005 in Decision No. 67943.

30 4. Since the spring of 2000, market prices for propane have shown increased
31 fluctuations and general price increases, with the exception of some price normalization in the
32 winter of 2001/2002. Propane prices are expected to remain high through at least spring of 2006.

33 ...

5. Decision No. 61225 of October 1998 established a Purchased Gas Adjustor ("PGA") bank balance threshold of \$120,000 for Energy West. Decision No. 61225 required that should the bank balance exceed the threshold, the Company file for a rate adjustment or alternatively obtain approval from the Utilities Division Director to not seek a rate adjustment.

6. Energy West's bank balance has been in excess of the \$120,000 threshold since the spring of 2000.

7. On November 13, 2003, Energy West filed an application with the Commission seeking a surcharge of \$0.0466 per therm to be implemented from January 2004 through June of 2005. The Commission approved the \$0.0466 surcharge in Decision No. 66643. In spite of implementation of the surcharge, the undercollection in Energy West's PGA bank balance continued to grow during the period of implementation of the \$0.0466 surcharge.

8. Energy West's May 2005 bank balance is nearly \$806,000 in undercollection.

9. The \$0.0466 surcharge that has been in place expired in June 2005.

10. The Company does not expect the undercollection to be reduced without a surcharge.

11. As a result of the inability to consider the filing of June 1, 2005 on the June 14, 2005 Open Meeting, Staff asked that Energy West provide to Staff a new projection of the effects of a surcharge implementation on the PGA bank balance given an August implementation of a surcharge rather than a July implementation of a new surcharge.

12. Energy West has supplied such projections to Staff. Based on these new projections and implementation of a surcharge of \$0.1525, the PGA bank balance will reduce to \$108,148 by July 2006. At this level, the July 2006 ending balance will be below the \$120,000 threshold.

13. While a \$0.1525 per therm surcharge will not fully amortize the balance it will significantly reduce the undercollected balance over a period of 12 months based on the Company's projections for future propane cost and consumption.

14. Other surcharge options and the projected balances that they result in can be seen in the following table:

Table I

Surcharge Option	Projected July 2006 Ending Balance
\$0.10	\$317,857
\$0.12	\$237,968
\$0.1525	\$108,148
\$0.18	-\$1,699

15. Should a surcharge of \$0.1525 be implemented, the estimated average residential customer's January 2006 bill would be \$161.62. With no surcharge the estimated bill would be \$148.81. The difference in these bills is \$12.81 or approximately an 8.5 percent increase. January is used in this example as it is typically the peak use month and thus likely represents the largest monthly impact to an average residential user.

16. It is also helpful to consider the proposed surcharge in terms of the \$0.0466 per therm surcharge that has been in place from January 2004 until recently. Had the \$0.0466 surcharge that terminated in June of 2005 been maintained, the estimated average residential customer's January 2006 bill would have been \$152.73. That being the case, the projected \$161.62 bill that would result from the proposed \$0.1525 surcharge would be an increase of \$8.89 or 5.8 percent over the bill that would have resulted from continuation of the \$0.0466 surcharge. These figures assume Energy West's projection for January 2006's PGA rolling average rate and average residential therm use in January 2006 is similar to January 2005.

17. Projections for average residential customers' January 2006 bills based on various surcharge options are shown in the following table. These figures assume average usage of 84 therms. Also included in the table are comparisons of these projected bills to the projected \$152.73 January 2006 bill that would have resulted from continuation of the \$0.0466 surcharge. These comparisons are expressed both in dollar value and percentage differences.

...

...

...

...

Table II

Surcharge Option	Projected January 2006 Bill	Increase Over Projected Bill With \$0.0466 Surcharge	% Increase Over Projected Bill With \$0.0466 Surcharge
\$0.10	\$157.21	\$4.48	2.93%
\$0.12	\$158.89	\$6.16	4.03%
\$0.1525	\$161.62	\$8.89	5.82%
\$0.18	\$163.93	\$11.20	7.33%

18. Projections for residential customers' January 2006 bills based on various therm use levels are shown in the following table. The figures shown are based on residential customers who use 75 percent, 100 percent, 125 percent, and 150 percent of the projected average residential customer's January 2006 therm usage. Also included in the table are comparisons of these projected bills to the same bills that would occur with the \$0.0466 surcharge. These comparisons are expressed both in dollar value and percentage differences.

Table III

Number of Therms Used	% of Average Therm Use	Projected January 2006 Bill With \$0.0466 Surcharge	Projected January 2006 Bill With \$0.1525 Surcharge	Increase Over Projected Bill With \$0.0466 Surcharge	% Increase Over Projected Bill With \$0.0466 Surcharge
63	75%	\$115.79	\$122.46	\$6.67	5.8%
84	100%	\$152.73	\$161.62	\$8.89	5.8%
105	125%	\$189.65	\$200.77	\$11.12	5.9%
126	150%	\$226.58	\$239.93	\$13.34	5.9%

19. Given current propane market conditions, it is likely that propane prices will remain at high levels through at least the spring of 2006.

20. Staff has reviewed Energy West's projections for future cost, consumption, and other estimations used in determining an appropriate surcharge and finds them to be conservative but reasonable for purposes of setting the surcharge.

...

1 21. A PGA surcharge of \$0.1525 per therm appears to be a reasonable step in
2 addressing the problem of high propane prices and the Company's PGA bank balance
3 undercollection.

4 22. While many surcharge options are available, Staff recommends approval of a
5 \$0.1525 per therm surcharge for the period from August 2005 through July 2006.

6 CONCLUSIONS OF LAW

7 1. Energy West is an Arizona public service corporation within the meaning of Article
8 XV, Section 2, of the Arizona Constitution.

9 2. The Commission has jurisdiction over Energy West and the subject matter of the
10 application.

11 3. The Commission, having reviewed the application and Staff's Memorandum dated
12 July 8, 2005, concludes that it is in the public interest to approve the filing to apply a \$0.1525 per
13 therm surcharge to the rates of Energy West, Inc. from August 2005 through July 2006.

14 ...

15 ...

16 ...

17 ...

18 ...

19 ...

20 ...

21 ...

22 ...

23 ...

24 ...

25 ...

26 ...

27 ...

28 ...

ORDER

IT IS THEREFORE ORDERED that a \$0.1525 per therm surcharge is approved for the period of August 2005 through July 2006.

IT IS FURTHER ORDERED that Energy West shall notify its customers of this surcharge within 30 days of this decision.

IT IS FURTHER ORDERED that Energy West shall file its proposed customer notice with Docket Control by August 3, 2005, for Staff review. If Staff and the Company cannot agree on the form of notice, the Staff shall immediately notify the Commission and the matter shall be set for determination by the Commission.

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

...

1 IT IS FURTHER ORDERED that if Energy West desires to continue this surcharge beyond
2 July 2006, it shall file to do so no later than April 30, 2006.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.
4
5

6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

7
8 _____
CHAIRMAN



COMMISSIONER

9
10 
11 _____
COMMISSIONER



COMMISSIONER



COMMISSIONER

12
13 IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive
14 Secretary of the Arizona Corporation Commission, have
15 hereunto, set my hand and caused the official seal of this
16 Commission to be affixed at the Capitol, in the City of
17 Phoenix, this 29th day of July, 2005.

18 
19 _____
BRIAN C. McNEIL
Executive Secretary

20
21 DISSENT: _____

22 DISSENT: _____

23 EGJ:SPI:lm\JG
24
25
26
27
28

1 SERVICE LIST FOR: Energy West Arizona
2 DOCKET NO. G-02696A-05-0390

3 Mr. Douglas R. Mann
4 President
5 Energy West Arizona
6 200 West Longhorn Road
7 Payson, Arizona 85541

8 Mr. Ernest G. Johnson
9 Director, Utilities Division
10 Arizona Corporation Commission
11 1200 West Washington
12 Phoenix, Arizona 85007

13 Mr. Christopher C. Kempley
14 Chief Counsel
15 Arizona Corporation Commission
16 1200 West Washington
17 Phoenix, Arizona 85007